BRITISH COLUMBIA
The Best Place on Earth

BCStats

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Exports ◆ November 2010

- British Columbia origin exports continue to rebound from the downturn experienced in 2009, as shipments climbed 13.9% over the first eleven months of 2010 compared to the same period a year earlier; however, exports are still well behind values traded in 2008 (-15.0%).

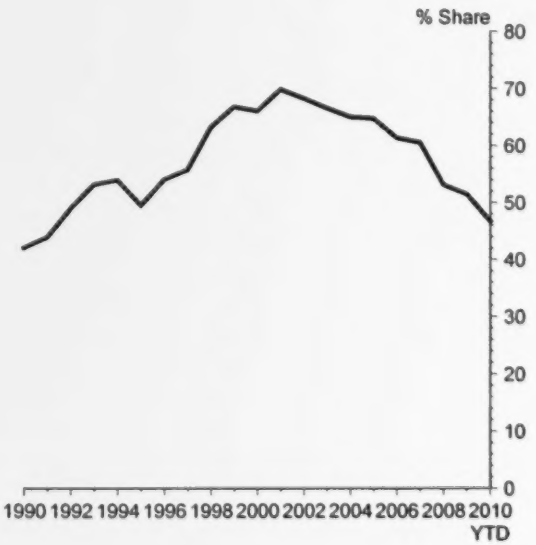
- Exports to BC's main trading partner, the United States, have shown only modest growth, at 2.8%. Most of the growth has been to overseas destinations, particularly those in the Pacific Rim, such as Mainland China (+59.4%), Hong Kong (+18.8%), Japan (+18.0%) and Australia (+23.5%). Exports to the European Union rose 19.5%, while shipments to South America soared 30.8%. As a result, the share of BC's exports destined for the US has dropped from 51.4% in 2009 to 46.7% year-to-date to November in 2010.

- The continuing growth in exports of coal (+21.4%) has reinforced that commodity's position as BC's top export, ahead of softwood lumber, which had previously held the title. The growth in shipments of coal helped boost overall energy exports up 17.4% compared to the January to November period in 2009. This was despite a 14.5% drop in exports of electricity. Increased shipments of natural gas (+9.1%) and other energy products (+32.8%) also helped offset the drop in electricity exports.

- BC's forest sector has recovered some of the ground lost in 2009, with a 22.8% jump in shipments of solid wood products and 14.7% growth in pulp and paper exports. Significantly higher shipments of softwood lumber (+28.6%), logs (+46.4%) and "other" solid wood products (+26.3%) have driven most of the growth in solid wood exports. Pulp (+41.6%) has been responsible for all the growth in pulp and paper exports as paper exports have slumped 23.6%.

- There has been robust growth in metallic mineral exports year-to-date (+25.7%). With the exception of exports of unwrought aluminum, which dipped 2.7%, all other major categories of mineral products saw strong growth in shipments. Unwrought zinc led the way with a 40.8% boost in exports, followed by copper ores and concentrates (+38.3%), molybdenum ores and concentrates (+18.8%) and other metallic mineral products (+9.8%). On the other hand, exports of fabricated metal products fell 1.0%.

The share of BC's exports destined for the United States has been falling

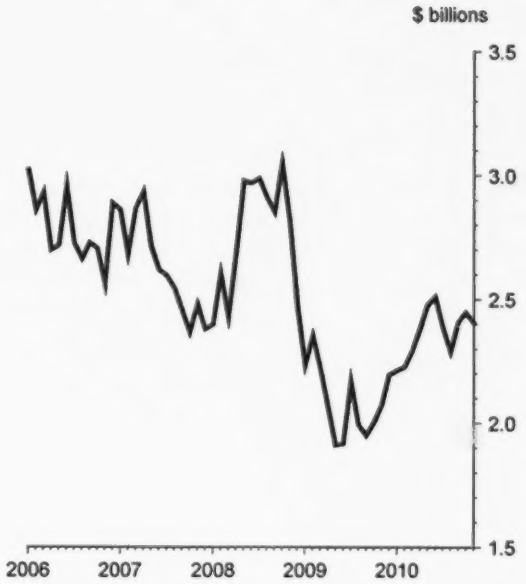


SEASONALLY ADJUSTED EXPORTS

Seasonal adjustment supplies a means of making month-to-month comparisons by removing the regular periodic seasonal fluctuations that occur. Variations from normal seasonal patterns are revealed in the seasonally adjusted data series.

- A 6.2% decline in energy product exports and a 5.0% drop in shipments of agricultural and fish products combined to push BC's overall exports down 1.6% in November. Exports of machinery, equipment and automobiles climbed 3.2%, while forest product and industrial and consumer goods exports each inched up 0.1%.
- The slump in exports was due to a 3.4% decline in shipments to countries other than the United States as exports to that country edged up 0.7%.

Exports (adjusted for seasonality) dipped slightly in November



BC Exports, Seasonally Adjusted ($Millions)

Month	Agriculture & Fish	Energy	Forest Products	Machinery& Equip, Auto	Industrial, Consumer	Total	Exports to USA
Nov 2008	212	944	740	342	581	2,818	1,434
Dec	207	782	696	322	464	2,471	1,300
Jan 2009	212	611	640	302	471	2,235	1,231
Feb	210	746	622	288	488	2,353	1,224
Mar	200	618	599	272	532	2,221	1,101
Apr	195	564	605	267	438	2,070	1,055
May	197	486	557	273	398	1,911	1,047
Jun	194	483	552	254	433	1,917	988
Jul	207	614	585	271	490	2,168	1,044
Aug	176	505	591	251	470	1,993	1,001
Sep	164	500	587	227	473	1,950	1,011
Oct	182	486	579	247	508	2,002	1,035
Nov	178	517	596	247	534	2,072	1,079
Dec	178	594	615	261	546	2,195	1,089
Jan 2010	178	624	643	259	508	2,212	1,117
Feb	192	572	677	246	541	2,227	1,086
Mar	192	591	677	255	577	2,291	1,131
Apr	188	658	716	263	557	2,380	1,118
May	186	710	737	260	584	2,477	1,155
Jun	188	733	779	271	540	2,511	1,203
Jul	196	708	715	271	498	2,388	1,088
Aug	208	599	689	266	529	2,290	1,098
Sep	227	732	683	276	492	2,410	1,034
Oct	212	639	742	268	585	2,447	1,046
Nov	202	600	743	276	586	2,407	1,053

Canada and India Start Discussion on Free Trade

With one of the fastest growing economies in the world, India offers tremendous potential as a trade partner. In the last twenty years, India's annual real GDP growth has been less than 4% only three times and did not fall below 2% in any of those years. The 5.7% growth recorded in 2009 was the lowest rate of growth since 2002. By comparison, Canada's real GDP fell 2.5% in 2009 and has only exceeded 4% in five of the last twenty years.

India's real GDP has experienced robust growth over the last couple of decades

Source: International Monetary Fund

The size and growth of India's economy combined with the commonalities that country shares with Canada, such as the Commonwealth background, language, values and rule of law, make India an ideal trading partner for Canada. However, trade in goods and services between Canada and India has been relatively small, such that both countries feel that the "India-Canada trade relationship is significantly under-traded."[1] In order to address this issue, Canada and India launched free trade negotiations in November 2010.

A joint study performed by the governments of Canada and India estimated that the potential economic gains from a free trade agreement between the two countries would range from between US$6-15 billion for Canada and US$6-12 billion for India.[2] Given the relative symmetry of the potential gains, such an agreement would appear to represent a win-win scenario for the two countries.

Canada's importance as a trading partner for India has fallen over the last decade, such that, in 2008, Canada was India's 30th most important trading partner. However, India's importance to Canada has increased. Prior to 2009, Canadian commodity exports to India experienced strong growth, more than tripling in value between 2003 and 2008. In 2009, the global economic downturn resulted in a 12% drop in exports to India from which levels have yet to recover.

British Columbia's share of Canadian exports to India has dropped precipitously, from a peak share of almost 23% in 2006 to less than 4% in 2009. The value of BC's goods exports to India fell from $346 million in 2006 to only $77 million in 2009. The goods mainly responsible for the sharp decline were ores, pulp and paper.

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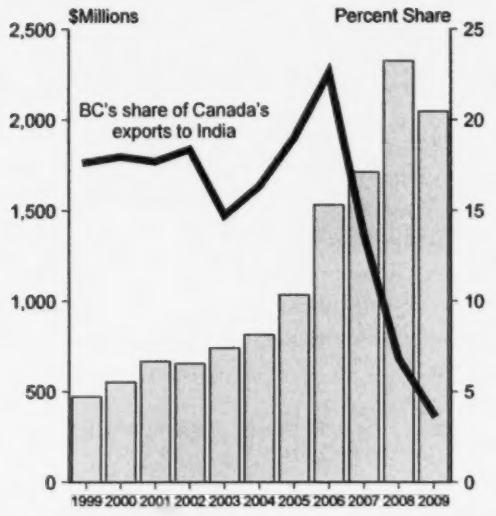
[1] Governments of Canada and India. *Canada-India Joint Study Group Report: Exploring the Feasibility of a Comprehensive Economic Partnership Agreement.* September 24, 2010, p.2.

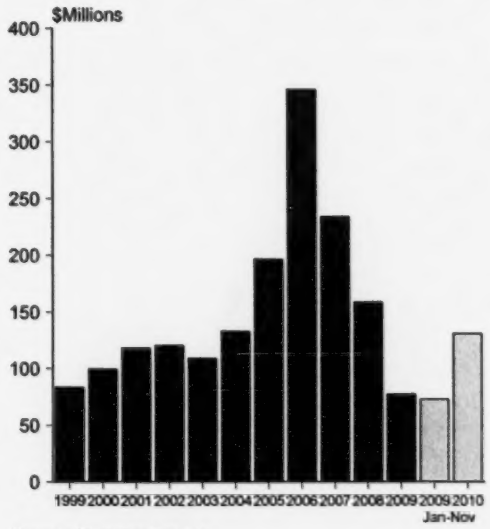
[2] Ibid, p. 7.

Canadian exports of goods to India have grown significantly in the last decade, but BC has been the origin of a declining share of those exports



Source: Statistics Canada

BC's exports of goods to India have fluctuated quite a bit in recent years



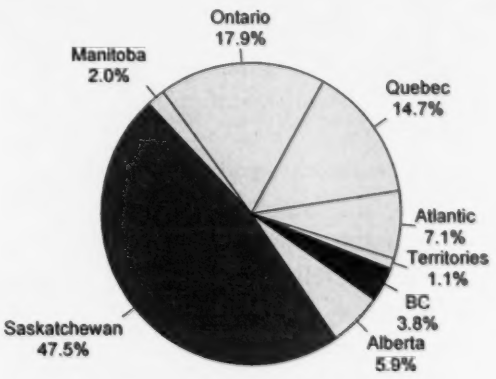
Source: Statistics Canada

Year-to-date in 2010, BC has recouped some of its share of the Indian market, with exports approximately doubling from 2009 levels and BC's share of Canadian exports also doubling to almost 8%. The rebound has been mainly due to growth in shipments of those same goods that were responsible for the drop in the first place, particularly copper ores and concentrates and pulp. It is likely that the economic downturn was at least partially responsible for the dramatic drop in Indian demand for these goods from British Columbia and as the economy has started to recover, so too has the demand for these resource-based goods.

Copper ores and concentrates (27% of BC's commodity exports to India in 2009) and pulp (22%) topped the list of BC's shipments to India, followed by newsprint (8%). There were also significant exports of used clothing, accounting for approximately 5% of BC's exports to India in 2009.

The decline in BC's share of Canadian exports to India seems to have been taken up mainly by Saskatchewan. In 2009, almost half (48%) of Canada's shipments to India originated in Saskatchewan.

Saskatchewan was the source of almost half of Canada's commodity exports to India in 2009

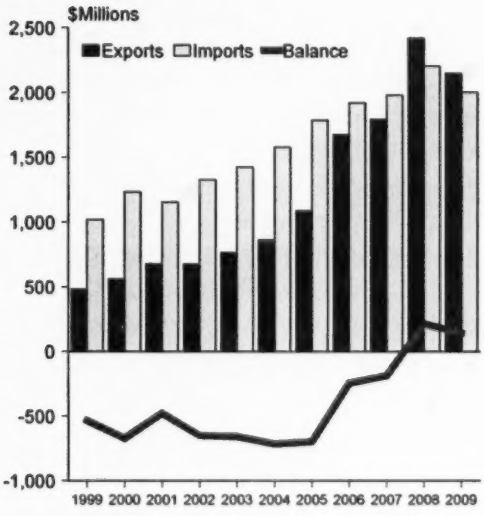


Source: Statistics Canada

The bulk of Saskatchewan's shipments to India consists of either peas, chickpeas and lentils (54.5%) or potash (45.3%). Machinery and equipment makes up the largest category of exports from Ontario to India, although about one fifth of the value of shipments in 2009 was comprised of gold. For Quebec, aircraft and parts were the top exported goods, comprising 23% of that province's exports to India in 2009.

The growth in Canadian exports to India has exceeded that of imports from that country in the last several years, such that Canada now has a small surplus in trade in goods with India, after recording deficits for 11 consecutive years.

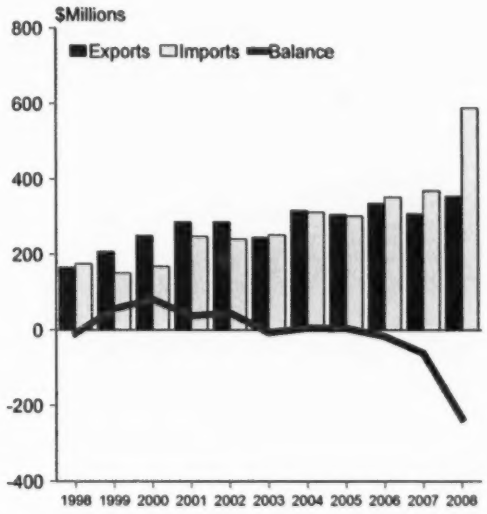
After years of deficits, Canada now has a surplus in trade in goods with India



Note: Exports include re-exports
Source: Statistics Canada

The opposite is true for trade in services for which imports have experienced most of the growth in the last few years, such that Canada has a growing deficit in services trade. Most of the growth in service imports from India has been in commercial services, particularly computer and information services, likely resulting from outsourcing by Canadian companies to service providers in India.

Canada has a deficit in trade in services with India



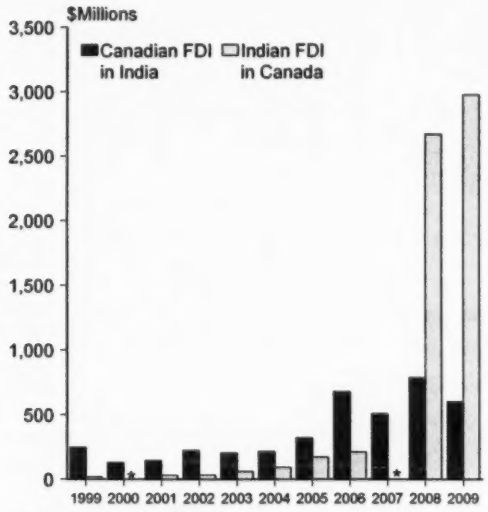
Source: Statistics Canada

Although trade in services between Canada and India has shown some growth, it is still relatively quite small compared to trade with other countries with smaller economies than India. The same is true with regard to foreign direct investment.

Although there has been tremendous growth in terms of Indian direct investment in Canada in the last couple of years, from just over $200 million in 2006 to almost $3 billion in 2009, Canadian investment in India has remained small – just $600 million in 2009. Perhaps one reason for the reluctance on the part of Canadians to invest in India is that there remains a fairly high level of corruption in that country. According to Transparency International, an international organization whose goal is to fight corruption,

India scores 87th out of 178 countries on the corruption scale.[3] India's Corruption Perception Index score was 3.3 (where 0 is totally corrupt and 10 denotes the complete absence of corruption), compared to 9.3 for top-ranked Denmark, New Zealand and Singapore and 8.9 for sixth-ranked Canada. Somalia, at 1.1, was ranked as the most corrupt country in the world.

Indians invest substantially more in Canada than Canadians invest in India



* Data suppressed to meet confidentiality requirements
Source: Statistics Canada

In addition to a significant perception that corruption exists in India, 74% of respondents thought that the level of corruption had increased in the last three years. Government institutions and the police were thought to be the most corrupt sectors with bribery being a fairly common practise. More than half (54%) of respondents reported paying a bribe for one of the services listed in the questionnaire, which (excluding Sub-Saharan Africa, where bribery is apparently rampant) was the fourth highest rate reported, slightly below that of Iraq, which had a rate of 56%, although well below Cambodia's rate of 84% and also lower than Afghanistan's rate of 61%. Given the risk averse nature of investors, the perception of corruption could certainly discourage investment.

While corruption may be a concern for Canadians doing business in India, there is the potential for significant economic gains to be made with the signing of a free trade agreement, including possibly opening the door to further trade with the rest of South and South East Asia. However, there are many roadblocks to overcome before an agreement can be reached. One of the more significant obstacles is with respect to government procurement, but other possible areas of conflict include certification and verification of origin of goods, trade and labour, and trade and environment. If Canada and India can overcome these disagreements and negotiate a comprehensive free trade agreement, both countries should realize significant economic benefits.

[3] Transparency International, *Global Corruption Barometer 2010 Report.* (www.transparency.org)

Recent Feature Articles in Exports Release
Listed by Statistical Reference Date of Issue

10-11 *Canada and India Start Discussion on Free Trade* *(released January 2011)*

10-10 *BC's Export Picture Has Improved Over the Last Year* *(released December 2010)*

10-09 *The Buck Stops Where? Are We in a Global Currency War?* *(released November 2010)*

10-08 *China Could be a Huge Market for BC Forest Products* *(released October 2010)*

10-07 *What Could Japan's Economic Woes Mean for Trade with BC?* *(released September 2010)*

10-06 *Fifty Years of BC Exports: 1959 - 2009* *(released August 2010)*

10-05 *Canada Okays Controversial Trade Deal with Colombia* *(released July 2010)*

10-04 *Canada Has Shown No Rush to Trade with Russia* *(released June 2010)*

10-03 *Energy Fuels BC's Trade with Washington State* *(released May 2010)*

10-02 *Economic Downturn Kept the Lid on Container Traffic in 2009* *(released April 2010)*

10-01 *Stormy Weather: BC Exports in 2009's Economy* *(released March 2010)*

09-12 *Provincial Export Comparison* *(released February 2010)*

09-11 *BC's Exports to Oceania Watered Down in 2009* *(released January 2010)*

09-10 *High Dollar Spurs Capital Investment* *(released December 2009)*

09-09 *BC's Pulp and Paper Exporters Facing Challenges* *(released November 2009)*

09-08 *China Continues to Buy BC Goods* *(released October 2009)*

09-07 *Energy Exports are Powering Down...For Now* *(released September 2009)*

09-06 *Adding Some Heat to Trade with India* *(released August 2009)*

09-05 *Trade with the Other Americas* *(released July 2009)*

09-04 *The State of Canada's Trade with the USA* *(released June 2009)*

09-03 *British Columbia's Trade Balance Tipped in Favour of Imports* *(released May 2009)*

09-02 *Fifteen Years of Free Trade with Mexico* *(released April 2009)*

09-01 *Twenty Years of Free Trade with the United States* *(released March 2009)*

08-12 *Canada Seeks Trade Deal with the European Union* *(released February 2009)*

08-11 *Adversity Leads to Diversity* *(released January 2009)*

08-10 *Import Content of BC's Exports* *(released December 2008)*

08-09 *BC's Trade in High Technology Goods* *(released November 2008)*

08-08 *Milking the System: Is Canada's Supply Management System an Impediment to Free Trade?* *(released October 2008)*

NOTES

Countries Included Within World Regions:

(1) Western Europe: United Kingdom, Ireland, Austria, Belgium, Denmark, Finland, France, Germany, Greece, Iceland, Italy, Luxembourg, Netherlands, Norway, Portugal, Spain, Sweden, Switzerland.

(2) Eastern Europe: other Europe, including all of Russia, Georgia, Kazakhstan, Kyrgyzstan, Moldova, etc.

(3) South East Asia: Malaysia, Brunei Darussalam, Singapore, Myanmar, Kampuchea, Laos, Indonesia, Philippines, Thailand, Vietnam.

(4) Africa: continental Africa, excluding Ethiopia, Libya, Somalia, Sudan, Egypt.

(5) South America: continental South America from Colombia and Venezuela south to Chile and Argentina, including offshore islands, but not Caribbean.

(6) Central America and Caribbean: from Guatemala and Belize to Panama, plus Caribbean Islands.

(7) Pacific Rim (including Japan): Japan, Hong Kong, Malaysia, Brunei Darussalam, Singapore, Laos, Mongolia, China, Indonesia, North Korea, South Korea, Philippines, Macau, Taiwan, Thailand, Vietnam, Australia, Fiji, New Zealand.

(8) Pacific Rim: as above, but excluding Japan.

(9) Middle East: from Turkey and Iran south through the Arabian Peninsula. Excluding Afghanistan and Pakistan, but including Cyprus, Ethiopia, Egypt, Somalia, Sudan and Libya.

The **European Union** is the membership as of January 1, 2007: Austria, Belgium, Bulgaria, Cyprus, Czech Republic, Denmark, Estonia, Finland, France, Germany, Greece, Hungary, Ireland, Italy, Latvia, Lithuania, Luxembourg, Malta, Netherlands, Poland, Portugal, Romania, Slovakia, Slovenia, Spain, Sweden, United Kingdom.

'Selected Value-added Wood Products' category includes prefabricated houses, doors, windows, furniture, moulding, siding, etc. It does not include panel products, shakes, shingles or any pulp and paper products.

Revisions

Statistics Canada revises trade data for the previous three data years with release of the December data. The revision number is indicated in the footer of the tables (e.g., Rev 1 is the first annual revision, etc., and Prelim indicates it is the first release of data to December for that year). In addition to annual revisions, Statistics Canada revises the data for the previous data year every quarter (indicated in the footer by Rev Q1, etc) as well as with the release of the January and February data.

Service Offered for Detailed Trade Statistics

For BC government statistics users requiring more detailed information on exports or imports, a special report service is offered through the address below:

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This service is provided through the Trade Research and Inquiry Package (TRIP) computer reporting system. TRIP offers user-defined tabulations of export or import statistics for BC, Canada, the United States and other countries. Tabulations can include information on commodities, countries, US states, years, months, mode of transport, etc.